

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

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REGULATORY AUTH.

IN RE: PETITION OF UNITED GAS
COMPANY FOR APPROVAL OF A
TRANSPORTATION GAS SERVICE
AGREEMENT WITH SUPERIOR
INDUSTRIES INTERNATIONAL, INC.

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) OFFICE OF THE
EXECUTIVE SECRETARY

) DOCKET NO. 00-01022
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PETITIONER'S RESPONSE TO TRA DATA REQUEST NO. 2

Comes now, the Petitioner United Cities Gas Company and submits this response to TRA Data Request No. 2 dated January 25, 2001.

1. **We noticed, in the above-referenced Petition, that United Cities Gas Company (Company) has asked for a 90% margin recovery for any loss sustained by the Company. We understand that this customer has been under Rate 250 in the Company's tariff. Under the Margin Recovery Rider in the Company's tariff, the margin recovery is available to those customers under Rate Schedule 291 or from customers who transfer from Rate Schedule 240 to optional service. Please explain why you have asked for a 90% recovery for this transportation customer only.**

RESPONSE: Superior Industries has been operating under Rate Schedule ("RS") 250 and 260. Under the Gas Transportation Agreement currently under consideration, UCG has negotiated a reduced rate under the provisions of Rate Schedule 291 with this customer in order to remain competitive and avoid bypass by the customer.

Rate Schedule 291 does not prohibit customers formerly operating under RS 250 (or any other RS) from negotiating an agreement with UCG under RS 291. In fact, the express intent of RS 291 is "to provide the Company flexibility to sell gas at a negotiated rate when the otherwise applicable tariff rates are non-competitive." RS 291 applies to all service areas and was

specifically designed "to permit the Company to meet alternative fuel and/or gas to gas competition."

Under RS 291, service to Superior is fully optional and is subject to curtailment prior to optional customers under RS 250. Superior recognizes the increased curtailment risk it faces under RS 291.

The margin loss recovery rider (Sheet No. 44) clearly authorizes the Company to recover not more than 90% of the gross profit margin losses that result from rates negotiated under the provisions of RS 291. Neither the provisions of RS 291 nor the margin loss recovery rider impose limitations on the type of customers with whom the Company may attempt to negotiate. Accordingly, the fact that Superior was under RS 250/260 at the time it negotiated the pending agreement, does not preclude the Company from seeking 90% of gross profit margin losses pursuant to the margin loss rider.

2. **We have one quote from Gas Air Specialist for installing Superior Industries' pipeline. We also have a statement in their quote indicating that East Tennessee Natural Gas will handle all the legal work of bypassing United Cities Gas Company. Does this include FERC permits?**

RESPONSE: Yes, Bill Kervin (Gas Air Specialist) and David Milby (then with East Tennessee Natural Gas) confirmed in August of 1999 that the quote included the cost of obtaining any FERC permits that may have been needed for the bypass.

3. **Superior Industries, according to the Petition, was immediately prepared to proceed with the proposed bypass. Provide all Superior Industries' correspondence concerning preparations for the bypass. Provide copies of quotes and/or permits received. Provide all correspondence between Superior Industries and United Cities Gas Company during the negotiating process and provide the names and positions of those responsible for the negotiations for each side.**

RESPONSE: Attached hereto and filed under seal as Exhibit A are responsive documents from UCG, which include internal records of the negotiations with Superior. Responsive documents directly from Superior are in transit and will be filed as soon as they are received. In addition, the signed agreement between Superior and UCG is attached and filed under seal as Exhibit B. Most of the communications between Superior and UCG were verbal and, conducted several times by conference call. Participants included:

- Robert Bracy, V.P. Facilities, Superior Fayetteville, AR
- Green Faircloth, UCG Marketing Tech Service Representative
- Bobby W. Cox, UCG Operations Manager
- W.D. Kervin, P.E., Gas Air Specialist
- Bill Mitchell, Facilities Manager, Superior Johnson City, TN

Several calls were made to Tom Blose, President of United Cities Gas, and on at least one occasion, a combined conference call was held with all participants involved.

Superior's investigation into the feasibility of a private gas line began in the summer of 1999. On July 12, 1999 Gas Air Specialists were given a purchase order to provide consultation services and estimated costs to run a gas line from the then East Tennessee Gas Line to our Johnson City Plant. The study proved to be very feasible.

Superior started having discussions regarding bypass with United Cities Gas in the summer of 1999 (with Green Faircloth and Bobby Cox). Superior did not accept an offer that was made by UCG on December 10, 1999. In 2000, Tom Blose was brought into the discussions.

Bill Mitchell wrote a request for Capital Expenditure on August 4, 2000. It was approved by the Plant Manager and forwarded to Bob Bracy who would approve and forward to Steve Borick in Van Nuys for final approval. At that point, Bill Mitchell was fully prepared to proceed with the bypass. On October 24th, 2000, UCG made an offer to Superior that was acceptable.

4. **Provide the construction schedule or timetable if the bypass decision had been made immediately as indicated.**

RESPONSE: Discussions with Gas Air Specialists and Evans Energy indicated that FERC approval would take 45 days. Construction would begin 45 days from agreement with an in-service date of 45 days from construction commencement as stated in the Evans Energy Proposal dated March 27, 2000. The new line could be realistically operational in less than 150 days.

5. **Provide Superior Industries' reasoning why they accepted the negotiated rate.**

RESPONSE: It was cost effective for Superior Industries to accept the proposal from UCG for transportation services as set forth in the agreement. In addition, UCG would continue to provide Superior with 24-hour local emergency response capability and remain responsible for compliance with all state and federal regulatory requirements.

BAKER, DONELSON, BEARMAN
& CALDWELL, P.C.



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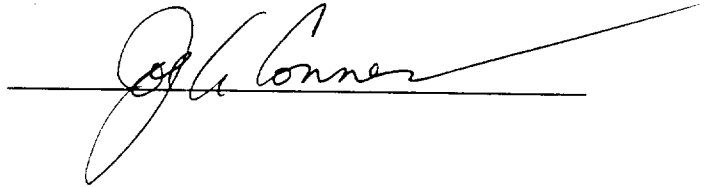
Attorney United Cities Gas Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following parties of interest this 13th day of February, 2001.

Richard Collier
General Counsel, Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Timothy C. Phillips
Office of Attorney General and Reporter
Consumer Advocate Division
Cordell Hull Building
465 Fifth Avenue North, Second Floor
Nashville, TN 37243

A handwritten signature in black ink, appearing to read "J. L. Conner", is written over a horizontal line.

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